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Volume 49 December 1992

The 100-Year Flood: What are the Odds?

For those unfamiliar with statistics, the term "100-year flood" has raised a number of questions. For example, a 100-year flood does not refer to a flood that takes place once every 100 years. Instead, the term refers to a flood with a chance of taking place within any given year. By using the odds of a 100-year flood during the life of a 30-year

mortgage, the following chart illustrates the chance of flood damage if a home is located in a special flood hazard area.

These numbers do not convey the "true risk" because they focus on the larger, less-frequent flood. If a house is located at a low-enough level, it may be subject to the 10- or 25-year flood. During the proverbial 30-year mort-

gage, it may have a 26 percent chance of being hit by the 100-year flood. The odds that it will be hit by a 10-year flood, however, are 96 percent (nearly) guaranteed. These numbers can be compared to the 5 percent chance that the house will catch fire during that 30-year mortgage.

Flood Size					
	Time Period	10-year	25-year	50-year	100-year
	1 year	10% chance	4% chance	2% chance	1% chance
	10 years	65%	34%	18%	10%
	20 years	88%	56%	33%	18%
	30 years	96%	71%	45%	26%
	50 years	99%	87%	64%	39%

Verifying Flood Insurance

Residents should be aware of some lenders, recent attempts to unnecessarily compel the purchase of flood insurance by property owners who reside outside designated floodplains.

Several residents throughout Montana have received letters from

firms that have misled them into purchasing flood insurance when, in fact, the residents were not required to do so.

In these types of cases, a property owner should contact his or her lender and ask the lender to verify in writing

whether the structure for which the owner's loan is secured is located in a special flood hazard area. This determination is the lender's responsibility, not the borrower's.

MYTHS AND FACTS ABOUT THE NFIP

Who needs flood insurance? Everyone. And everyone in a participating community of the National Flood Insurance Program (NFIP) can buy flood insurance. Over 18,000 communities across the country have joined the Program. In some instances, people have been told that they cannot buy flood insurance because of where they live. To clear up this and other misconceptions about federal flood insurance, the NFIP has compiled this list of common myths about the Program, and the real facts behind them, to give you the full story about this valuable protection.

MYTH:

You can't buy flood insurance if you are located in a high-risk flood area.

FACT:

You can buy Federal flood insurance no matter where you live if your community belongs to the NFIP. The Program was created in 1968 to provide flood insurance to people who live in areas with the greatest risk of flooding, called Special Flood Hazard Areas (SFHAs). In fact, under the Flood Disaster Protection Act of 1973, lenders must require borrowers whose property is located within an SFHA to purchase flood insurance as a condition of receiving a federally-backed mortgage loan.

Lenders should notify borrowers that their property is located in an SFHA and that affordable federal flood insurance is available.

MYTH:

You can't buy flood insurance immediately before or during a flood.

FACT:

You can purchase flood coverage at any time. There is a five-day waiting period after you've applied and paid the premium before the policy is ef-

fective. But if the title of a property is transferred, there's no waiting period—the policy goes into effect the day you apply and pay the premium.

The policy does not cover a "loss in progress," defined by the NFIP as a loss occurring as of 12:01 a.m. on the first day of the policy term. In addition, you cannot increase the amount of insurance coverage you have during a loss in progress.

MYTH:

Homeowners' insurance policies cover flooding.

FACT:

Unfortunately, many homeowners do not find out until it is too late that their homeowners' policies do not cover flooding. Federal flood insurance protects your most valuable assets—your home and belongings.

MYTH:

Flood insurance is available only for homeowners.

FACT:

Flood insurance is available to protect homes, condominiums, apartments, and commercial structures. A maximum of \$185,000 of building coverage is available for single-family residential buildings; \$250,000 for multifamily residences. The limit for contents coverage on all residential buildings is \$60,000.

Commercial structures can be insured to a limit of \$200,000 for the building and \$200,000 for the contents. Commercial coverage is also available for small businesses, with limits of \$250,000 for the building and \$300,000 for contents. In communities in which a detailed flood map has not yet been produced, the maximum coverages are lower.

MYTH:

You can't buy flood insurance if your property has been flooded.

FACT:

It doesn't matter how many times your home, apartment, or business has flooded. You are still eligible to purchase flood insurance, provided that your community is participating in the NFIP.

MYTH:

Only residents of high-risk flood zones need to insure their property.

FACT:

Even if you live in an area that is not flood-prone, it's advisable to have flood insurance. One-third of the NFIP's claims come from outside high-risk flood areas. The NFIP's Preferred Risk Policy, available for as little as \$75 per year, is designed for residential properties located in low-to-moderate flood risk zones.

MYTH:

The NFIP does not offer any type of basement coverage.

FACT:

Yes, it does. The NFIP defines a basement as any area of a building with a floor that is subgrade, or below ground level on all sides. Basement coverage under an NFIP policy includes cleanup expenses and items used to service the building, such as elevators, furnaces, hot water heaters, washers and dryers, air conditioners, and freezers. Required utility connections, circuit breaker boxes and pumps, and tanks used in solar energy systems are also included. What's not covered under the policy: the contents of a finished basement and improvements, such as finished walls, floors, and ceilings.

MYTHS AND FACTS ABOUT THE NFIP

MYTH:

Federal disaster assistance will pay for flood damage.

FACT:

Before a community is eligible for disaster assistance, it must be declared a federal disaster area. Federal disaster assistance declarations are awarded in less than 50 percent of flooding incidents. The annual premium for an NFIP policy, about \$300 per year, is less expensive than a loan payment for a federal disaster loan, when the loan is granted on favorable terms.

Further, if you are uninsured and receive federal disaster assistance after a flood, you must purchase flood insurance to receive disaster relief in the future.

MYTH:

The NFIP encourages coastal development.

FACT:

One of the NFIP's primary objectives is to guide development away from high flood risk areas. The Coastal Barrier Resources Act (CBRA) of 1982 was enacted to protect the fragile nature of undeveloped coastal barrier islands and their exposure to damaging storms. CBRA prohibited all federal expenditures or financial assistance, including the sale of flood insurance, for new and substantially improved buildings on undeveloped areas of coastal barrier islands.

In November, 1991, the Coastal Barrier Improvement Act more than doubled the areas within the Coastal Barrier Resource System.

These laws do not prohibit property owners from building along coastal areas, but they do transfer the financial risk of such building from federal taxpayers to those who choose to live or invest in these areas.

MYTH:

Federal flood insurance can only be purchased through the NFIP, directly.

FACT:

Federal flood insurance is sold and serviced directly through the NFIP, or through a Write Your Own (WYO) company. WYO companies write and service policies on non-risk-bearing basis through a special arrangement with the Federal Insurance Administration.

MYTH:

The NFIP covers most types of flooding, resulting from hurricanes, or the overflow of rivers or tidal waters.

FACT:

That's true. The NFIP defines flooding as a general and temporary condition during which the surface of normally dry land is partially or completely inundated. Two adjacent properties or two or more acres must be affected. Flooding can be caused by any one of the following:

- the overflow of inland or tidal waters

- the unusual and rapid accumulation or runoff of surface waters from any source, such as heavy rainfall
- the incidence of mudslides or mudflows, caused by flooding, which are comparable to a river of liquid and flowing mud
- the collapse or destabilization of land along the shore of a lake or other body of water, resulting from erosion or the effect of waves, or water currents exceeding normal, cyclical levels

MYTH:

Wind-driven rain is considered flooding.

FACT:

No, it isn't. Rain entering through wind-damaged windows or doors, or through a hole in a wall or the roof caused by wind, resulting in standing water or puddles, is considered wind-storm, rather than flood damage. Federal flood insurance only covers damage caused by the general condition of flooding (defined in the question, above), typically caused by storm surge, wave wash, tidal waves, or the overflow of any body of water above normal, cyclical levels. Buildings that sustain this type of damage usually have a watermark, showing how high the water has risen before it subsides. Although the Standard Flood Insurance Policy (SFIP) specifically excludes wind and hail coverage, most homeowners' policies provide coverage.

For more information about the NFIP, ask your insurance agent or company, or call the NFIP's toll-free number at 1-800-638-6620.

Floodplain Management Section:

Karl Christians, Floodplain Management Section Supervisor • Phone (406) 444-6654 • FAX (406) 444-0533
This newsletter was supported by funding through a FEMA Cooperative Agreement as part of the Community Assistance Program-State Support Services Element of the National Flood Insurance Program. The contents do not necessarily reflect the views and policies of the Federal Government.

1993 Community Assistance Visits Planned

Each year, nearly 20 NFIP (National Flood Insurance Program) communities in Montana are selected to receive a community assistance visit (CAV). This visit is scheduled to comprehensively assess a community's floodplain management program, its knowledge and understanding of the NFIP's floodplain management requirements, and the state requirements for a community under the Administrative Rules of Montana. The CAV also helps a community implement and en-

force its floodplain ordinance, and provides a means for receiving the latest program information.

The floodplain administrator and local officials meet to discuss procedures used to issue development permits and to review the latest permits issued by the community. After the meeting, the individual conducting the CAV tours the floodplain to become more familiar with the community's flood problems and to verify the community's compliance with NFIP

and/or state regulations for new development.

A report on the CAV's findings is submitted to Denver's FEMA (Federal Emergency Management Agency) regional office and, if necessary, a follow-up letter is written to the community that describes the CAV's findings or requests additional information and data.

Communities identified for Fiscal Year 1993 are shown in the following table.

1993 Community Assistance Visits*				
	October to December 1st quarter	January to March 2nd quarter	April to June 3rd quarter	July to September 4th quarter
	Hot Springs Ronan Joliet Fromberg Lavina Fort Belknap Indian Reservation	Broadwater County Ennis Jefferson County Boulder Townsend	Culbertson Nashua Ravalli County	Hingham Conrad Broadus Treasure County
*Note: Visits to three additional communities will be announced at a later date. For more information on upcoming CAVs, please call Karl Christians at 444-6654.				

Volume 49

December 1992



**Floodplain Management Section
Montana Department of Natural
Resources and Conservation
1520 East Sixth Avenue
Helena, MT 59620-2301**

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